

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6839**

**BILL NUMBER:** HB 1160

**NOTE PREPARED:** Dec 30, 2005

**BILL AMENDED:**

**SUBJECT:** Forfeiture of Economic Development Incentives.

**FIRST AUTHOR:** Rep. Kuzman

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill expands the list of economic development incentives covered by Economic Development Incentive Accountability Law to include the Investment Deduction, certain deductions for Enterprise Zone property, and the state tax liability credits other than the Economic Development for a Growing Economy (EDGE) Tax Credit (which is covered by current law).

The bill provides that a recipient of an economic development incentive who materially alters or terminates the recipient's obligations to its employees or retirees in a pension or retirement plan offered by the recipient forfeits the economic development incentive as of the date of the determination by the Department of Workforce Development of a material alteration or termination. The bill requires repayment for incentives received in the calendar year of the material alteration or termination. It also provides that an economic development incentive forfeited for a material alteration or termination of the recipient's obligations to its employees or retirees in a pension or retirement plan offered by the recipient may not be restored.

**Effective Date:** October 1, 2005 (retroactive).

**Explanation of State Expenditures:** The bill requires the Department of Workforce Development (DWD) to make determinations as to whether an economic development incentive recipient materially alters or terminates the recipient's obligations to employees and retirees participating in an employer's pension or retirement plan offered by the recipient. The bill also requires the Department of State Revenue (DOR) to accept repayments of incentives from these incentive recipients and to distribute repayments of property tax deductions to the appropriate county auditor and repayments of other incentives to the state General Fund. Both agencies' current level of resources should be sufficient to fulfill these administrative tasks

**Explanation of State Revenues:** *Summary:* The bill expands the list of economic development incentives covered under the Economic Development Incentive Accountability Law. In addition to current law circumstances that trigger forfeiture of covered incentives, the bill also requires forfeiture and repayment of incentives if the incentive recipient materially alters or terminates his or her obligation to employee retirement or pension plans. If these changes lead to more incentive forfeitures and incentive repayments, it could have a positive impact on state revenue. However, the fiscal impact is indeterminable.

*Background:* Under current statute, if a recipient of certain economic development incentives fails to comply with the wage and benefit levels the recipient proposed or promised in order to obtain the incentive, the incentive is forfeited and can't be restored until the recipient complies with the promised wage and benefit levels. The economic development incentives covered under current statute are:

1. Grants and loans by the Indiana Economic Development Corporation or the Office of Tourism Development.
2. Incentives provided in an Economic Revitalization Area.
3. Economic Development for a Growing Economy (EDGE) Tax Credits.
4. Incentives provided in an airport development zone.

The bill expands the current list of covered economic development incentives to include the following:

1. Investment Deduction (Property Tax).
2. Enterprise Zone Inventory Credit (Property Tax).
3. Enterprise Zone Investment Deduction (Property Tax).
4. Research Expense Credits.
5. Prison Investment Credits.
6. Enterprise Zone Loan Interest Credit.
7. Neighborhood Assistance Credit.
8. Enterprise Zone Investment Cost Credit.
9. Industrial Recovery (Dinosaur) Credit.
10. Military Base Recovery Credit.
11. Military Base Investment Cost Credit.
12. Capital Investment Tax Credit.
13. Community Revitalization Enhancement District Tax Credit.
14. Rerefined Lubrication Oil Facility Credit.
15. Voluntary Remediation Tax Credit.
16. Venture Capital Investment Tax Credit.
17. Coal Combustion Product Tax Credit.
18. Hoosier Business Investment Tax Credit.
19. Blended Biodiesel Tax Credits.
20. Ethanol Production Tax Credit.
21. Coal Gasification Technology Investment Tax Credit.
22. Headquarters Relocation Tax Credit.

The bill also provides that incentives are forfeited if (as determined by the DWD) the incentive recipient materially alters or terminates obligations to employees and retirees participating in the pension or retirement plan offered by the recipient. In contrast to current statute, the bill also requires the recipient to repay the total amount of the incentives received in the calendar year of the material alteration or termination. Also, the bill

prohibits restoring incentives to the recipient who materially alters or terminates a pension or retirement plan. The bill requires the repayments to be made to the DOR, with repayments of incentives other than property tax deductions distributed to the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** If the changes made by the bill lead to more forfeitures of property tax deductions, this could increase the assessed value tax base of local taxing districts where the incentive recipients are located. (See *Explanation of State Revenues* for a list of additional covered incentives and discussion of additional circumstances triggering incentive forfeiture.) This could cause a shift of the property tax burden from all other taxpayers in those taxing districts to the taxpayers receiving the property tax deductions. Under the bill, repayments of forfeited property tax deductions are to be made to the DOR and the DOR is required to distribute these repayments to the appropriate county auditor. The county auditor is required to distribute the repayment amounts among the taxing units of the county in the same manner that property taxes are apportioned and distributed.

**State Agencies Affected:** Department of State Revenue; Department of Workforce Development.

**Local Agencies Affected:** Local taxing units; County Auditors.

**Information Sources:**

**Fiscal Analyst:** Jim Landers, 317-232-9869.